

F. No. D(FA)/2016/DBT
Government of India
Ministry of Chemicals & Fertilizers
Department of Fertilizers

New Delhi, 17th March, 2017

To
All Chief Secretaries of States/Union Territories
All Agricultural Production Commissioners/Secretaries/Directors (Agri.)
All Fertilizer Companies (as per list attached)

Subject: Modification in the procedure for release of fertilizer subsidy by Department of Fertilizers with the introduction of Direct Benefit Transfer (DBTs) System for various fertilizers.

Sir/Madam,

I am directed to refer to the above subject and to convey the approval of the Government for modification of the procedure for release of fertilizer subsidy with the introduction of Direct Benefit Transfer (DBTs) System w.e.f. 01.10.2016 (or the effective DBT Go Live date whichever is applicable) for various fertilizers in the following manner:-

The fertilizers covered under this system are: Indigenous and imported Phosphatic and Potassic (P&K) fertilizers, Single Super Phosphate (SSP), Indigenous urea and City compost. The proposed procedure for the payment of fertilizer subsidy under DBT system is as follows:

I. Month-wise Budget provision on the basis of supply plan/actual sales:-The Programme Division will prepare an estimate of the monthly expenditure for the disbursement of subsidy on the basis of information provided by the Movement Division, Supply Plan for previous month and/or supply plan for corresponding month of previous year or actual sales with a variation of +/- 10%. The provision of budget will be under the following heads of account:

- a. Indigenous P&K (including SSP)
- b. Indigenous Urea
- c. Imported P&K
- d. City compost

II. Approval/Sanction of the Competent Authority: Sanction of Competent Authority would be obtained by the Programme Division with the concurrence of IFD for the estimated monthly expenditure. This is an advance sanction ((Master Sanction/Mother sanction) for the release of subsidy payments during the month.

III. DBT System: The DBT system entails 100% payment of subsidy to the fertilizer manufacturing/importing companies on the basis of actual sales by the retailer to the beneficiary. The farmers or buyers identity is verified through Aadhar based biometric authentication/Voter ID card/Kisan Credit Card (KCC).

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The buyers' details will be captured in the Point of Sale (PoS) machines installed at the retailer's end, having online connectivity with central server. All the Fertilizer sale transactions will be tracked online (Company wise, Plant Wise, Product Wise etc.) in the Integrated Fertilizer Management System (IFMS).

IV. After the sale of fertilizers, each company will submit an online claim through IFMS duly signed digitally by the authorized signatory on weekly basis for the quantity sold during the week. The online claims will be submitted on 8th, 16th, 24th and the last working day of the month. In case of public holiday, the claim would be submitted on the next working day. The weekly claims submitted by the companies for a particular month should be verified and certified by the Chartered Accountant/Statutory Auditor on monthly basis. Weekly claims submitted to DOF will be processed on the basis of certification by the Chartered Accountant/ Statutory Auditor of the company for the claims of previous month. The existing Payment procedure and the Payment procedure under DBT is given at Annexure-I.

V. After receipt of the online claims from the companies, the Programme Division processes the same on the next working day. The approval of the Head of Programme Division will be obtained before issue of weekly digital financial sanction by DDO to PAO along with digital bill. The PAO would process the payment through Public Financial Management System (PFMS) and credits the subsidy amount to the company's bank account. The IFMS will generate Weekly/Monthly expenditure statements for the companies and concerned divisions of DOF. The list of beneficiaries will be made available on the IFMS web portal for all the users. The release of 100% subsidy to the companies shall be made within a period not exceeding 7 working days from the date of submission of claims.

VI. **Mode of reconciliation:** - On 20th of every month (or the next working day if 20th happens to be a holiday), the DDO of respective programme division will generate the statement of bills paid during the preceding month and also submit the budget estimate for next month and seek concurrence of IFD as per the laid down procedure. This needs to be completed by 25th of every month.

VII. **Installation of Point of Sale (PoS) Device:** The retailer is an important stakeholder in the DBT system. He is the front line agency having interface with the farmer/beneficiary. The 100% payment of subsidy is triggered by the retailer sales at the field level. Therefore, it is essential that the retailers are provided with necessary infrastructure and are well trained to handle the PoS machines, the responsibility for which rests with both fertilizer companies and retailers.

VIII. As per notification No. F.D(FA)/CCEA/2011 dated 12th October, 2012 an incentive of Rs.50/- was provided to the retailers for installation of IT related equipment for acknowledging the receipt of fertilizers in the m-FMS w.e.f. 1st November, 2012. The incentive shall also be applicable for installation of PoS machines at the retailers' end.

IX. **State certification for Quantity-** States would continue to send certificate w.r.t. the quantity (proforma-B1), with the proviso that quantity will be certified online within 30 days on the IFMS. Short and sub-standard quantity as reported by the State(s) will not be eligible for subsidy and the subsidy paid, if any, will be recovered from the companies. A 30 day window will be made available for the states on the transparency

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portal to report any discrepancies in the quantity of fertilizers reported. In case state certification for quantity is not submitted within 30 days, it shall be deemed as no discrepancies on quantity reported by State agencies. However, if any discrepancy w.r.t. quantity is reported by State(s) or any other Agency at any later stage, recoveries will be made from the pending claims of the company.

X. State certification for Quality- Currently Proforma-B2 is required for P&K Fertilizers, urea and SSP for quality certification from states. The existing provision of availability of 180 day window continues for the states to report any discrepancies in the quality of fertilizers reported. If the quality certificate (Proforma B 2) is not submitted within 180 days, it shall also be deemed as no discrepancies w.r.t. quality reported by State agencies. However, if any discrepancy w.r.t. quality is reported by State(s) or any other Agency at any stage, recoveries will be made from the pending claims of the company.

XI. All payments towards cost of imported urea as well as freight subsidy for all fertilizers shall also continue to be paid as per the existing procedure. However, the sales of imported urea and the beneficiary details will be captured in the iFMS through the PoS devices. Recoveries from companies on account of short/sub-standard fertilizers will continue to be recovered from any bill of the company pending with the Department or through cheque/DD from the companies.

XII. The payment procedure as laid down vide OM No. D(FA)/CCEA/2011 dated 25/10/2012 and as amended from time to time, will continue to be applicable for non-DBT districts/states till they are brought under DBT system.

This issues with the approval of Competent Authority.

Yours faithfully


(Dharam Pal)

Joint Secretary to the Government of India

Copy to:

- i. Secretary, Department of Expenditure
- ii. Secretary, Department of Agriculture
- iii. DG, UIDAI
- iv. DG, Fertilizers Association of India
- v. Director, PMO
- vi. Director, Cabinet Secretariat
- vii. DG, NIC
- viii. All Officers/Sections of Department of Fertilizers and FICC
- ix. Sr. Technical Director, NIC


(Dharam Pal)

Joint Secretary to the Government of India

(Annexure-I)

Subsidy Payment Procedure under DBT

Fertilizer Type	Existing Procedure		Procedure for DBT	
	Subsidy Payment	Certifications Required	Subsidy Payment	Certifications Required
P&K	<ul style="list-style-type: none"> 85% (90% with Bank Guarantee) On Account payment on receipt in district Balance 10-15% to be released on receipt confirmation by retailers in mFMS. 	<p>For 'On account payments</p> <p>Certification from Company's statutory auditor on receipt of fertilizers in the districts.</p> <p>For balance payments:</p> <ul style="list-style-type: none"> Certification from Company's statutory auditor on sale of fertilizers in the districts. State Certification for quantity within 30 days*(Proforma-B1) State Certification for quality within 6 months (Proforma-B2) 	<ul style="list-style-type: none"> 100% payment on actual sale of fertilizers by retailers/wholesalers to the beneficiaries on authentication of identity through Aadhar based biometric system/KCC/Voters ID. 	<p>Digital Certification from Company's authorized signatory for submission of online claims in iFMS on weekly basis. The weekly claims submitted by the company for a particular month, should be verified and certified by the Chartered Accountant/Statutory Auditor on monthly basis.</p> <ul style="list-style-type: none"> State Certification for quantity within 30 days. State Certification for quality within 180 days.
SSP	<ul style="list-style-type: none"> 85% (90% with Bank Guarantee) On Account payment on first point sale of fertilizers for agricultural purposes Balance 10-15% to be released on the state certification on quantity as well as quality and receipt confirmation by retailers in mFMS. 	<p>For 'On account payments:</p> <ul style="list-style-type: none"> Certification from Company's statutory auditor on first point sale of fertilizers in the districts. <p>For balance payments:</p> <ul style="list-style-type: none"> State Certification for quantity within 30 days (Proforma-B1) State Certification for quality within 6 months (Proforma-B2) 	<ul style="list-style-type: none"> 100% payment on actual sale of fertilizers by retailers/wholesalers to the beneficiaries on authentication of identity through Aadhaar based biometric system/KCC/Voters ID. 	---do---
Urea (Indigenous)	<ul style="list-style-type: none"> 95% On Account payment on receipt of urea in district Balance 5% to be released on receipt confirmation by retailers in mFMS. 	<ul style="list-style-type: none"> Certification from Company's statutory auditor /Chartered Accountant/Cost Accountant on receipt of urea in the districts. State Certification for quantity within 30 days* (Proforma-B1) State Certification for quality within 6 months (Proforma-B2) 	<ul style="list-style-type: none"> 100% payment on actual sale of fertilizers by retailers/wholesalers to the beneficiaries on authentication of identity through Aadhaar based biometric system/KCC/Voters ID 	---do---

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Fertilizer Type	Existing Procedure		Procedure for DBT	
	Subsidy Payment	Certifications Required	Subsidy Payment	Certifications Required
City Compost	<ul style="list-style-type: none"> • 50% 'On Account' payment on first point sale of City Compost for agricultural purposes • Balance 50% to be released on the state certification of quantity as well as quality and receipt confirmation by retailers in mFMS. 	<p>For 'On account payments:</p> <ul style="list-style-type: none"> • Certification from Company's statutory auditor on first point sale of fertilizers in the districts. <p>For balance payments:</p> <ul style="list-style-type: none"> • State Certification for quantity within 30 days (Proforma-B1-CC) • State Certification for quality within 6 months (Proforma-B2-CC) 	<ul style="list-style-type: none"> • 100% payment on actual sale of City Compost by retailers/wholesalers to the beneficiaries on authentication of identity through Aadhaar based biometric system/ KCC/Voters ID. 	—do—
<p>*In case state certification for quantity / quality have not been submitted within 30 days/180 days respectively, it shall be deemed as no discrepancies reported by state agencies. However, if any discrepancy is reported by state government or any other agency later on, the recoveries will be made from other pending claims.</p>				